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S E C R E T SECTION 01 OF 03 QUITO 002497

SIPDIS

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TAGS: [PGOV](#) [PREL](#) [EC](#)

SUBJECT: ECUADOR: POLITICAL STABILITY AND USG SUPPORT

REF: A. 03 QUITO 3813

[B](#). 03 QUITO 2824

[C](#). QUITO 2459

[D](#). QUITO 2462

[E](#). QUITO 2418

[F](#). QUITO 2380

[G](#). QUITO 2327

Classified By: Ambassador Kristie A. Kenney for reason 1.4 (b&d).

[1](#). (S) Summary: With President Gutierrez increasingly isolated and weakened, his Cabinet divided and Congress hopelessly fragmented, rumors continue to swirl about a constitutional or extra-constitutional change in the Presidency. In this context we have reviewed how political instability here affects USG interests and what we can do to support constitutional democracy in Ecuador. In the near term we see many opportunities to do so, including measures we can take from here, President Gutierrez' UNGA attendance in September, and upcoming visits by senior USG officials. We also recognize that Gutierrez faces worrisome potential flash-points in coming months. End Summary.

Political Conditions Difficult

[2](#). (S) Since late last year (Refs A-B) President Gutierrez has faced mounting political opposition and public disenchantment with his government's performance. Much of this damage to Gutierrez' credibility is self-inflicted; the result of a series of political blunders. The latest round of speculation about possible moves against Gutierrez (and possible desperate extra-constitutional moves by him to retain power) began with Gutierrez' inexplicable visit to Panama and meeting there with reviled ex-president Abdala Bucaram (see Ref C). Gutierrez dealt with the negative repercussions of that move (which bought him the temporary support of Bucaram's PRE but lost the heftier backing of the PSC) by offering concessions to the PRIAN (by replacing the head of the national tax authority, who had been pursuing party leader Alvaro Noboa's back taxes).

[3](#). (S) Without the support of the PRIAN or PRE for impeachment, Congress has diverted itself by censuring provocative statements by Gutierrez' brother Gilmar and investigating the brothers' business dealings, searching for impeachable offenses. Meanwhile, the Vice President, the President of the Supreme Electoral Tribunal, and the President of Congress have publicly criticized the President's campaign-like pre-electoral visits to inaugurate public works in districts where his party has local electoral hopes.

Potential Flash-points

[4](#). (S) While Gutierrez has proved himself a canny survivor to have lasted this long into his mandate, we share the concern of some analysts that with each subsequent cycle of scandal/blunder, political opposition mounts and his government's vulnerability increases. Gutierrez faces a series of potentially difficult challenges to his authority in coming months, which could include:

-- a return of former President Abdala Bucaram (as soon as mid-October), if he is not immediately arrested and tried on outstanding corruption charges;

-- corruption scandals associated with Gutierrez' coterie of corrupt family members and trusted associates;

-- spill-over from mishandling of the Occidental Petroleum case, should the GoE proceed (October-November) to nationalize Oxy's assets (Refs D-G);

-- the Guayaquil round of FTA talks (October 25-29), which could attract anti-government protests;

-- new economic measures which could provoke social protests, including elimination of the subsidy on cooking gas (currently planned by the GoE for November);

-- an incursion into Ecuadorian territory by the FARC or Colombian Armed Forces (anytime).

USG Interests

15. (S) Despite his political vulnerability (and perhaps contributing to it), Gutierrez is a U.S. ally on many key issues (e.g. bolstering Northern Border security to prevent spill-over from Plan Colombia, fighting narcotics trafficking, supporting an FTA). His growing weakness make him increasingly ineffective implementing this shared agenda. But any scenario providing for his departure is unlikely to produce a more amenable ally or a noticeably stronger (lame duck) president. Furthermore, support for the Vice President is nonexistent among the political parties, and within Congress there is no consensus candidate to replace the President should he be removed. (Congress has the Constitutional power to replace the President if the Vice President resigns.)

16. (S) Particular USG interests are trumped by the broader U.S. interest in supporting constitutional democracy in a country with a shaky democratic track record. Ecuador's irregular curtailment of presidential terms in 1997 and 2000 were only loosely cloaked in constitutional guise, and continue to serve as an invitation to those whose interests would be served by Gutierrez' early departure.

17. (S) The corruption that swirls within Gutierrez' inner circle undermines public perceptions of this government and the public's commitment to democracy. It also indirectly undermines public perceptions of the U.S. role. While we publicly distinguish between USG support for constitutional democracy and Lucio Gutierrez, the man, the public makes no such distinction.

18. (S) We see no indications of military support among the middle ranks for a Gutierrez self-coup, and believe those at higher ranks loyal to Gutierrez support will ultimately support the constitution. A constitutional move against Gutierrez is certainly conceivable, given the challenges he faces. It is in the U.S. interest to prevent any such move, which most believe would only result in an even weaker government, and in the process would set back Ecuadorian democracy. That there is no politically attractive alternative to replace Gutierrez (although the crusading Solicitor General is being mentioned by some as an aspirant) contributes to his longevity and may ultimately salvage Gutierrez' term of office, despite his unpopularity and weakness.

What We Can Do To Support Constitutional Democracy

19. (S) We see opportunities in the political disorder that characterizes Ecuador's relatively young democracy, and see the following opportunities to support Ecuadorian democracy:

By the Embassy and Consulate Guayaquil:

-- make it clear to Gutierrez and the political opposition that the USG would not tolerate a Fujimori-style self-coup;

-- similarly, reach out to the military leadership to send the same message;

-- press Gutierrez to address perceptions of corruption within his inner circle;

-- continue outreach to key GoE officials who represent maturity and stability in the Cabinet (Government Minister Baca, Economy and Finance Minister Yopez);

-- continue outreach to political parties to encourage democratic stability;

-- continue outreach to the indigenous movement to promote constitutional democracy; and,

For Consideration by Washington Agencies or USG Visitors to Ecuador:

-- support electoral democracy by supporting an OAS observation mission for upcoming October 17 local elections;

-- use the UNGA as an opportunity to press Gutierrez to stay the democratic course;

-- use high-profile visits to Ecuador to emphasize our messages to the Government, opposition, public and military;

-- use visits to the U.S. of key GoE ministers to fortify democracy and economic reform. (The willingness of key USG economic officials to see Finance Minister Yopez as well as International Trade Minister Baki last week were very useful.)

110. (S) Ecuador Visit Specifics

-- General Hill's upcoming (early October) visit provides an excellent opportunity to press these themes with the military leadership.

-- We recommend a visit by U/S Grossman, preferably after the October 17 local elections and before the Guayaquil FTA round, to send a signal of support for electoral processes and economic opportunity that is inherent to successful democracy.

-- Senior NSC or WHA visits (October/November).

KENNEY